

STATEMENT OF
THE HONORABLE
CAROLYN H. BECRAFT
ASSISTANT SECRETARY OF THE NAVY
(MANPOWER AND RESERVE AFFAIRS)
BEFORE THE
PERSONNEL SUBCOMMITTEE
OF THE
SENATE ARMED SERVICES COMMITTEE
ON
PAY AND COMPENSATION
3 MARCH 1999

Introduction

Mr. Chairman, distinguished members of the Committee, I appreciate the opportunity to testify before Congress on this most important topic. As Assistant Secretary of the Navy for Manpower and Reserve Affairs, I can attest that maintaining a competitive, comprehensive military compensation package is critical to ensuring our recruiting and retention efforts are successful in meeting the current and future requirements of our national maritime strategy. I thank you for highlighting their importance and making them such a priority. The men and women who proudly serve in our Navy and Marine Corps are some of the best and brightest our country has to offer. Their professionalism, sacrifice and supreme devotion to duty have made our military the most powerful in the world and the envy of every nation abroad. However, we are not compensating them with pay and benefits commensurate with their valued skills. A flourishing economy, record low unemployment, a decreasing propensity to serve in our Armed Services, and current recruiting and retention difficulties have set a constant bearing, decreasing range course for shoal water in effectively manning the Fleet. Exit surveys and a Navy Personnel Pay Survey of approximately 4000 Sailors completed in January 1999, show that our Sailors and Marines are increasingly concerned about the disparity in compensation between the military and the

private sector. A strong course change is required now if we are to avoid severely impacting the readiness of our Navy and Marine Corps. As Senator Warner stated in his 8 February letter to the Secretary of the Navy, "We need to demonstrate to our service members that we do care and we are taking quick, positive action to improve their compensation benefits." Your continued leadership and strong support of these pay and compensation legislative agendas are greatly appreciated.

The Pay Triad

The Department of the Navy fully supports the President's recently announced compensation Triad. The plan provides for a 4.4 percent basic pay raise, pay table reform with targeted raises up to 5.5 percent percent above the basic pay raise, and amendment to the Military Retirement Reform Act of 1986 (REDUX) to restore 50 percent of basic pay at completion of 20 years. All three elements are integral to recruiting and retention success. For example, on the Navy Personnel Pay Survey, the majority of our enlisted members indicated that both basic pay and retirement were important considerations in their decision on whether or not to stay in the Navy, with retirement increasing in importance relative to proximity to retirement eligibility.

Basic Pay Raise

Results of the Navy Personnel Pay Survey indicate that our mid-grade petty officers place nearly equal importance on basic pay and retirement (82%/78%); 90 percent of the respondents felt they were not adequately paid for the job they do. 78 percent based their response on either knowing someone in a similar job in the civilian sector or from their own job hunting experience. On the Retention/Separation questionnaire, basic pay is cited as one of the most important reasons why enlisted Sailors leave the Navy. The 4.4 percent increase in basic pay beginning 1 January 2000 and annual raises matching the currently forecasted rate of civilian wage growth in fiscal years 2001 through 2005 are a significant step toward ensuring adequate compensation for our personnel. This first component of the Triad is crucial in sending a strong signal of our commitment to, and the high value we place on, the members of our Navy and Marine Corps team.

Pay Table Reform

Retaining our mid-career officers and non-commissioned officers is absolutely vital to our day-to-day operations and readiness. The Department of the Navy has made a great investment in training our Sailors and Marines in the latest state-of-the-art technology and leadership skills. These individuals perform the majority of the leading, supervising,

and planning required to maintain our Navy and Marine Corps as the preeminent maritime force in the world. They are also highly sought after by the private sector that actively recruits our most experienced personnel with increased pay and benefits our Navy and Marine Corps cannot match. The President's initiative for pay table reform is an important move in the right direction toward closing the pay gap for mid-career personnel.

Modeled after analysis and recommendations by the 7th Quadrennial Review of Military Compensation (QRMC), and subsequently validated by the 8th QRMC, the proposed pay table reform addresses significant imbalances that exist in the half-century-old pay tables. The FY-00 Pay Table Reform initiative enhances the across-the-board basic pay increase by providing targeted pay raises for non-commissioned officers and mid-grade commissioned officers, and pay table reform that rewards performance through larger raises for promotion over longevity. It further eliminates inconsistencies and relieves compression between pay grades. By shifting the emphasis from longevity to promotion, the resulting pattern rewards performance and provides additional motivation for our top quality members to compete.

Retirement Reform

Reform of the Military Retirement Reform Act of 1986, or REDUX, has been the topic of much discussion within the Navy and Marine Corps. Exit surveys and analyses by different research groups have concluded that the existing system has become a profoundly negative symbol for recruitment and retention. During fleet visits, the Chief of Naval Operations and the Commandant continue to hear that the current retirement system is a major dissatisfier at all echelons. A study conducted by the Center for Naval Analysis (CNA) in 1997 estimated that REDUX would reduce retention at the 8-14 year service point by 3-4 percent for enlisted personnel and 7-8 percent for officers. Nearly 38 percent of second-term enlistees indicated they were dissatisfied or very dissatisfied with retirement benefits during Retention/Separation interviews. The Navy Personnel Pay Survey conducted in January 1999 found that of the nearly 4000 respondents, 55 percent of E1 to E3 and 78 percent of the E4 to E6 population indicated that retirement pay was an important factor in their career decision. The most disturbing data was that 84% percent of respondents who fall under REDUX felt that the 40% retirement pay that they had to look forward to after 20 years was insufficient to make them want to remain in the service.

Restoring retirement pay to 50 percent at the completion of 20 years of service is imperative for our Navy and Marine Corps. All indicators are clear that REDUX is negatively impacting our retention effort, which in turn is affecting our readiness. Our Sailors and Marines have made it known that delaying reform of REDUX may cause many of them to "vote with their feet" and leave the service in search of better financial security in the civilian workforce. The President's plan for retirement reform solidly addresses this important issue by restoring retirement pay to 50 percent at 20 years of service and by making modest changes to the annual cost of living adjustment.

Special Pay and Bonuses

The President's compensation Triad is critical in addressing broad recruiting and retention concerns, but additional efforts are required to ensure adequate retention in many of our undermanned, highly skilled warfare specialties. Special and incentive pays and bonuses have historically been an effective way to target specific skill shortages. Several proposals concerning these pays are currently under review by the Office of Management and Budget. They are designed to work in tandem with the pay and retirement package. This year, we are seeking increases in the maximum authorized levels for the Enlisted Bonus (EB) and Selective Reenlistment Bonus to address

our recruiting and retention shortfalls. The Department of the Navy is seeking two new continuation bonuses to improve retention within unrestricted line communities, one for our Surface Warfare Officers, another for our Special Warfare Officers. In addition, we are seeking legislative flexibility for Aviation Continuation Pay (ACP) and an increase in the authorized maximum for Nuclear Officer Incentive Pay (NOIP). These special and incentive pay authorities are a critical part of the total compensation package for targeted job skills and experience levels. Funding for each of these bonuses has been included as part of the President's Budget. The legislative language of the ACP revision is in the final review process within DoD, after having gained Service consensus through the OSD-sponsored Aviation Compensation Working Group.

Summary

Regardless of the challenges awaiting us in the new millennium, our Sailors and Marines will remain fundamental to the success of our Navy and Marine Corps. The Department of the Navy is firmly committed to providing the men and women of the Navy and Marine Corps a comprehensive and competitive compensation package comprised of broad across-the-board pay initiatives, pay table reform, retirement reform, and targeted special and incentive pays and bonuses. We ask for your support

of FY-00 initiatives that will help us achieve optimum personnel readiness, improve quality of life for our Sailors and Marines, and contribute to our mission of recruiting and retaining the best and brightest men and women from our great Nation. In today's highly competitive environment, prompt action is vital to ensuring the continued readiness and capability of our global maritime force.